

## AGENDA

### WASHOE COUNTY, NEVADA OPEB TRUST FUND BOARD OF TRUSTEES

January 30, 2014 at 9:00 a.m.

Room C-110 (Central Conference Room)  
Washoe County Administrative Complex, Building C  
1001 E. 9th Street - Reno, Nevada 89512

**NOTE:** Items on the agenda may be taken out of order; combined with other items; removed from the agenda; moved to the agenda of another later meeting; moved to or from the Consent section; or may be voted on in a block. Items with a specific time designation will not be heard prior to the stated time, but may be heard later. Items listed in the Consent section of the agenda are voted on as a block and will not be read or considered separately unless removed from the Consent section.

Facilities in which this meeting is being held are accessible to the disabled. Persons with disabilities who require special accommodation or assistance (e.g. sign language, interpreters or assisted listening devices) at the meeting should notify the Washoe County Comptroller's Office at 328-2552, 24 hours prior to the meeting.

**Time Limits.** Public comments are welcomed during the Public Comment periods for all matters, whether listed on the agenda or not, and are limited to two minutes per person. Additionally, public comment of two minutes per person will be heard during individual action items on the agenda. Persons are invited to submit comments in writing on the agenda items and/or attend and make comment on that item at the Trustee's meeting. Persons may not allocate unused time to other speakers.

**Forum Restrictions and Orderly Conduct of Business.** The Washoe County OPEB Trust Board of Trustees conducts the business of the OPEB Trust Fund during its meetings. The presiding officer may order the removal of any person whose statement or other conduct disrupts the orderly, efficient or safe conduct of the meeting. Warnings against disruptive comments or behavior may or may not be given prior to removal. The viewpoint of a speaker will not be restricted, but reasonable restrictions may be imposed upon the time, place and manner of speech. Irrelevant and unduly repetitious statements and personal attacks which antagonize or incite others are examples of speech that may be reasonably limited.

**Responses to Public Comments.** The Board of Trustees can deliberate or take action only if a matter has been listed on an agenda properly posted prior to the meeting. During the public comment period, speakers may address matters listed or not listed on the published agenda. The Open Meeting Law does not expressly prohibit responses to public comments by the Board. However, responses from Trustees to unlisted public comment topics could become deliberation on a matter without notice to the public. On the advice of legal counsel and to ensure the public has notice of all matters the Board of Trustees will consider, Trustees may choose not to respond to public comments, except to correct factual inaccuracies, ask for staff action or to ask that a matter be listed on a future agenda. The Board may do this either during the public comment item or during the following item: "Trustee's/Staff announcements, requests for information, topics for future agendas and statements relating to items not on the agenda".

This Agenda for the meeting has been posted at the following locations: Washoe County Administration Building (1001 E. 9th Street, Bldg. A), Washoe County Courthouse-Second Judicial District Court (75 Court Street), Washoe County Downtown Reno Library (301 S. Center Street), Sparks Justice Court (1675 Prater Way #107) and on the Washoe County Website at [www.washoecounty.us/finance/OPEB.htm](http://www.washoecounty.us/finance/OPEB.htm).

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Support documentation for items on the agenda that is provided to the Washoe County, Nevada OPEB Trust Board of Trustees is available to members of the public at the Washoe County Comptroller's Office (1001 E. 9<sup>th</sup> Street, Room D-120 Reno, Nevada), Sandra McGarva, Administrative Secretary Supervisor (775) 328-2553; and on the County's website at <http://www.washoecounty.us/finance/OPEB.htm>

All items numbered or lettered below are hereby designated **for possible action** as if the words "for possible action" were written next to each item (NRS 241.020). An item listed with asterisk (\*) is an item for which no action will be taken.

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- \* 1. Roll call.
- \* 2. Public Comments. Comments heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Board of Trustee's agenda. The Board will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Board as a whole.
- 3. Approval of minutes from the October 31, 2013, meeting.
- \* 4. Discussion: receipt of audited financial statement for fiscal year 2012/2013.
- 5. Review and approve claims processed, administrative expenditures and reimbursements to employers through December 31, 2013.
- 6. Acknowledge receipt of interim financial statements for the period ending December 31, 2013.
- 7. Discussion and possible action: investment objective for the OPEB Trust Fund.
- 8. Discussion and possible action: revisit proposed cash transfer timing to the Nevada Retiree Benefits Investment Fund for the remainder of the fiscal year.
- \* 9. Discussion: Affordable Health Care Act and/or Health Benefits trends per information presented to BCC by HR director.
- 10. Discussion: revisit summary of actuarial valuations with requested additional information.
- \* 11. Trustee's/Staff announcements, requests for information, and topics for future agendas, Statements relating to items not on the agenda and any ideas and suggestions for greater efficiency, cost effectiveness and innovation in providing for the benefits of Washoe County, Nevada OPEB Trust participants in accordance with the benefit plans. (No discussion on this item will take place among Trustees.)
- \* 12. Public Comments. Comments heard under this item will be limited to two minutes per person and may pertain to matters both on and off the Board of Trustee's agenda. The Board will also hear public comment during individual action items, with comment limited to two minutes per person. Comments are to be made to the Board as a whole.
- 13. Adjourn.

# **BOARD OF TRUSTEES, WASHOE COUNTY, NEVADA OPEB TRUST FUND**

**THURSDAY, OCTOBER 31, 2013, 9:00 A.M.**

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## **Present:**

John Sherman, Chairman  
Cynthia Washburn, Trustee  
Darrell Craig, Trustee

## **Staff:**

Mary Solorzano, Accounting Manager  
Sandra McGarva, Secretary  
Terrance Shea, Legal Counsel

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The Board convenes in regular session at approximately 9:00 a.m. at the Central Conference Room, Building C, of the Washoe County Administrative Complex, 1001 East Ninth Street, Reno, Nevada. Roll is called, there is a quorum. (For the record, Mary Walker, fiscal agent of the Fire entities in OPEB, is also present.)

There is no **Public Comment**.

## **Approve minutes from July 25, 2013 meeting.**

Chairman Sherman asks that the Minutes from July 25 be corrected on Page 3, first paragraph, where it states in the first sentence, "Chairman Sherman states this law (NRS 287.017 allowing such Trusts) was created in 2009 as a way to address GASB No. 45: up to that point, municipalities could not 1) invest in securities.....," to reflect the word "not" as stricken from the sentence. He explains that municipalities *could* invest in securities that had a maturity of only ten years or less.

Trustee Washburn moves to approve the minutes of July 25, 2013 with the above-noted change requested by Chairman Sherman.

There is no public comment. Trustee Craig seconds the motion. All are in favor, the motion carries.

## **Selection of the Washoe County, Nevada OPEB Trust Board of Trustees Vice Chairman**

It is noted the Board needs to appoint a Vice Chairman in order to facilitate absences of the Chairman. Trustee Craig moves to appoint Cynthia Washburn as the new Vice Chairman. There is discussion with respect to a new Trustee needing adequate knowledge of the material being discussed when presiding over a meeting. It is also noted that Ms. Washburn's tenure as a Trustee is temporary and that her spot will be assumed by the newly-appointed finance director, when that appointment occurs.

Trustee Washburn is asked if she would be willing to step up as the Vice Chairman until a new finance director can come on board. She indicates she is willing.

There is no Public Comment. Chairman Sherman seconds the motion on the floor. All are in favor, the motion carries.

**Acknowledge receipt of audited financial statement for fiscal year 2012/2013**

Copies of the audited Washoe County, Nevada OPEB Trust Financial Statement for Fiscal Year Ended June 30, 2013 are distributed to the members of the Board. Chairman Sherman states that his preference on this type of material is to receive it in advance of the meeting at which action is to be taken, in order to allow adequate perusal for discussion. He asks that this item be on the next quarterly meeting's agenda for the approval, but he'd like to discuss any highlights that staff can offer today.

It is noted the Audit received a clean opinion. Chairman Sherman notes that the Net Position is \$123.6 million, and that it keeps going up. Ms. Walker inquires about the rate of return, and it is noted the rate of return is large, but it is market value. Chairman Sherman states we can get a better idea when we get into the RBIF annual financial report.

Vice Chairman Washburn states there were no real surprises from the preliminary report to the final audit.

Chairman Sherman inquires if there are any internal control notes, he doesn't see any; Vice Chairman Washburn states there were no compliance or internal control issues. She adds that they did do testing of the actuarial data and found a few tiny things.

Ms. Solorzano states that further research indicated a misunderstanding on the part of the auditors, or that more information in the employee record was needed, so notation was not necessary. She added that the auditors had failed to take into account that the date of hire was a calculated field. The key question for their audit was years of service, because that's what determines your benefit level. Ms. Solorzano explained that they went back and met with Kristi Harmon, who walked the auditors through every one of the employees, showing them that the date of hire can be a little funny in our system because we have so many returnees, or people with split service. So the date of hire on the spreadsheet calculated backwards based on years of service.

There is discussion; it is noted this audit is done annually and that it is required.

Vice Chairman Washburn moves to acknowledge receipt of the audited financial statement for fiscal year ended June 30, 2013.

There is no Public Comment. Trustee Craig seconds the motion. All are in favor, the motion carries.

**Discussion: Roll-forward Actuarial Evaluation report.**

Ms. Solorzano is asked to walk the Trustees through this report. She distributes a spreadsheet titled, "Washoe County, Nevada OPEB Trust Summary of Actuarial Valuations for Participating Plans as of September 13, 2013." The spreadsheet is comprised of information received from the Actuarial Evaluation Report received by the Comptroller and dated September 13, 2013. She adds that the roll-forward for FY2014 indicates that the employer contributions and net obligation(asset) are not yet known. Chairman Sherman clarifies that the summary sheet is showing four plans: the Washoe County Retiree Health Benefits Plan (WCRHBP) and the Public Employees Benefits System (PEBS) (it is noted both of these are closed Plans); and Truckee Meadows Fire Protection District Retiree Group Health Plan (TMFPD RGHP) and Sierra Fire Protection District Retiree Group Health Plan (SFPD RGHP) are also included in the summary.

Ms. Solorzano states that Washoe County's accrued actuarial liability did go up, but not hugely, and we continue to report a net OPEB asset for the three biggest Plans, WCRHBP, PEBS, and TMFPD RGHP. She adds that because of the changes that have gone on with SFPD in the last year, that entity did experience probably the largest increase that we've seen from them in recent years in their roll-forward. Their asset and obligation can be changed as we find out more about the Fire units' plans. She points out that there have not been any employer contributions to either of the Fire plans for the past two years. She states that TMFPD is showing a very large asset, so contributions of any size are not recommended.

Ms. Solorzano continues: looking at the actuarial report, there are things there that we don't show on the summary: we're keeping the discount rate at 7%, we haven't changed that in a number of years, and health cost trend is 7% initially, but it dwindles to 4.75% in the very far out years. We haven't made any significant changes to any of our assumptions for the current year; Washoe County has managed to maintain very high employer contributions, which is helping to reduce the funded accrued actuarial liability year by year. She adds we're actually showing a projection of 37.5% funded at the end of the year for WCRHBP, 34% for PEBS, TMFPD RGBP is very close to 100%, and SFPD RGBP is at about 20%.

Chairman Sherman inquires if there is any discussion in the Report with regard to ours being a closed Plan, now that it's going on its third year.

Ms. Solorzano responds, it was reflected in the last full valuation, the year in which we went down from \$293,921,000 (2011) to \$287,185,000 (2012). There is discussion. It is noted it will take awhile for the closed Plan demographics to catch up to the numbers and start showing a reduction. Because it is offset by increased health care costs, there needs to be offsetting directions.

More discussion. Ms. Solorzano states that part of the value of the assets is just market value because we keep contributing, and it is noted there are realized gains in there, as well. The contributions for FY2013 were very close to the ARC. Chairman Sherman acknowledges that the current fiscal year is funded at \$18.7 million.

Trustee Craig inquires, since it is a closed system, will we reach a point in 5 to 20 years where the Fund will no longer require contributions. There is discussion; it is noted that there is still a pool of employees who are in the Plan and have yet to retire, so the number of people drawing those benefits is still climbing.

Chairman Sherman states that anyone at 6/30/2010 with 5 or more years of service, who also follows through and retires and claims that benefit will be able to draw on it.

Ms. Solorzano states that it is too early in the process to make an impact, but our Human Resources director is looking at ways to mitigate retiree costs, chief among which is trying to get the Code changed so we can more than encourage retirees to be required to take Medicare when they reach Medicare age, because at present we do not require that. There is discussion with regard to the out-of-pocket savings to retirees, with the OPEB Plan being a secondary insurer, as well as savings to the County.

It is noted that this Board of Trustees has no role or authority over the Retiree Health Benefits Fund of the County. Our interest is solely for what it may do to our long-term obligation and how the Trust deals with that.

Chairman Sherman states there has been a lot of news reporting with regard to the Affordable Health Care Act, and he understands that that has an impact on Washoe County's health care benefit. There is discussion. It is noted the BCC has requested presentations and discussions on this, and Vice Chairman Washburn states we'll alert this Board if we see it appear on their Agenda. Chairman Sherman acknowledges that Milliman understands that Act and when he does his work, he attempts to incorporate whatever features are necessary. More discussion.

Chairman Sherman points out that the current retiree cost (the premium we pay out of the Trust), is getting close to the ARC; so, roughly \$13 million in premium costs are in the budget and the ARC is at \$18.7 million. At some point those two numbers cross.

Trustee Craig asks if the County's annual contribution needs to keep increasing to keep the roll-forward number decreasing, or is that a static number they are contributing. Chairman Sherman responds, the County is required to make the Annual Required Contribution to keep the liability at zero or below. He adds that the total liability is that minus the asset for net liability. If you keep making the ARC, that net liability should go down. Eventually, the Annual Required Contribution will not be enough to pay the retiree premium, and we'll have to draw from the Trust to pay that. So at the end of the 28-year period, theoretically, the Trust will have zero assets in it because we will have paid off all the claims.

More discussion. Chairman Sherman states he would like to see one additional line item on the summary that would include what the actual cost of what we pay for retiree health benefits is.

**Acknowledge receipt of audited financial statements for the Nevada Retiree Benefits Investment Fund (RBIF) for fiscal year 2012/2013.**

Chairman Sherman begins discussion, recognizing that RBIF also received a clean opinion. He added that RBIF created supplementary schedules of the participating entities and that the auditors actually looked at that, determining they were fairly stated. The Supplementary Information indicates that Washoe County carries the day in both Net Contributions from Inception through June 30, 2013, and Market Value as of June 30, 2013, with \$97.5 million and \$118.4 million, respectively. The next-closest participant (Washoe County School District) comes in with \$32.7 million and \$43 million, respectively.

With respect to the question posed by Ms. Walker earlier in the meeting, the Fund generated a 12.9% return (net of fees) this year, which is above the investment objective of 8.0%. The fees were \$33,290, which is a low figure for the custodial responsibilities. It is noted that the fee is not based upon the number of basis points, but what their actual costs are for what they invest and whom.

Chairman Sherman points out that on page 7 of the RBIF Report, it indicates we went from a net investment gain of \$3.7 million to \$19.4 million, and in 2011 the net investment gain was \$11.4 million. Discussion with respect to market swings and investment objectives ensues.

Trustee Craig inquires about why we use a 7% investment projection in our actuarial analysis instead of the RBIF 8%, and Chairman Sherman explains we are more conservative. He adds that we can revisit that topic if the Board wants to.

Vice Chairman Washburn offers explanation that when we formed the OPEB and started this process, they (RBIF) hadn't been having some good years. At the same time, there was a lot of pressure coming

out of the accounting world, and even the bond rating agencies, to be very conservative. So, it was in the County's best interest to stay at a safe level. More discussion. Chairman Sherman states that at some point, when we have a light agenda, we might want to look at that again. If we decide to do that, it should be done before the next actuarial evaluation.

Ms. Solorzano advises that another thing that colored our decision to be so conservative was the fact that we were starting the Trust in 2010, during which there had been some very bleak years in the investment markets.

Trustee Craig states the other negative on raising that is that it somehow could trickle down to a smaller contribution by the Commissioners. Chairman Sherman agrees, and adds that they, as the Board controlling that, must not make any decisions without performing their due diligence of objective thought and research processes.

Vice Chairman Washburn states the bond rating agency has been looking at this and has actually created some standards, so she proposes that we put a discussion on interest rates on the next agenda and we'll try to bring some research from studies that are available. She adds the actuarial studies are usually based on calendar year data. It is noted that WCRHBP and PEBS will need full evaluations, and Ms. Walker states the Fire units will not do a roll-forward again, either. There is discussion. The next meeting would be a good time to discuss changing the investment objective for the OPEB Trust Fund.

As there are no more questions on the RBIF 2013 Annual Financial Report, Trustee Craig moves to acknowledge receipt of same.

There is no Public Comment. Chairman Sherman seconds the motion. All are in favor, the motion carries.

**Review and approve claims processed, administrative expenditures and reimbursements to employers through September 30, 2013.**

Chairman Sherman confirms that the box at the top of the Staff Report is actually what we're looking to approve. It is noted the rest was added since we've had a change each year on how we do things, we wanted to show the Board a trend of how things are stacking up, how many participants are being covered, what their premiums are looking like, etc. Discussion.

Chairman Sherman states for clarification that we've confirmed the Trust pays the premium and not the cost. He pursues discussion, noting that the benefit expense of \$12.9 million, with the premium of \$7.3 million for FY2013, involves what we call the implicit rate subsidy because we have to have our premiums for both current employees and retirees, which is a State law. Ms. Solorzano confirms that we are not allowed to charge the retirees more because they cost us more. She notes that for the first quarter of FY2014 we reimbursed more than the net expense, but we would expect that to be eaten up as we go through the year. She adds that now that the Comptroller's office is doing the financial administration of the Health Benefits Fund, we were able to post a full quarter's expense. There is more discussion.

Chairman Sherman states he understands that the budget the County adopted this year, in part, took into account the premium vs. cost of retirees, and because there was sufficient fund balance in the Health Benefit Fund they did not raise the premium. He adds that one might anticipate the 2014/15 fiscal year

will see an increase. Ms. Solorzano confirms, indicating that that will be the BCC item that Vice Chairman Washburn alluded to earlier in the meeting - that will have some of those numbers. Principally, we're looking at how the Affordable Care Act will impact us. It is noted the total Health Benefits Fund budget hovers in the high \$40 millions.

Ms. Solorzano concludes her report by asking approval for reimbursement of cost allocation expenses we agreed to pay for Washoe County to do the administration of the Plan, and for reimbursement to the Health Benefits Fund, for a total of \$2,011,306.

As there is no more discussion, Vice Chairman Washburn moves to approve the 1<sup>st</sup> quarter administrative expenses and Washoe County's request for reimbursement for a net amount of \$2,011,306.

There is no Public Comment. Trustee Craig seconds the motion. All are in favor, the motion carries.

**Acknowledge receipt of interim financial statements for the period ending September 30, 2013.**

Ms. Solorzano refers to a handout she distributed to the Board, indicating it is a one-page summary of where we are and where we've been. She states we are almost to the point of where we are all-in on the RBIF. We are maintaining minimum cash in the Pool at present and we've increased by under \$1 million year to date, which was driven by our investment income. As of the end of September, there is \$123.5 million in the RBIF pool. Other Net Assets seen on the summary are prepaid benefits expense of \$736,225, and interest receivable, less the reimbursements just approved to Washoe County for the retiree health benefit premiums. It is anticipated that the \$736,225 in prepaid expenses will disappear as the year wears on. YTD we have \$1.6 million in unrealized gains in the RBIF. That gives us an average of 11.93% YTD; without those unrealized gains, we're at 2.88%.

Mary Walker is recognized by the Chair, and she states she would like us to know that they changed the method of paying Reno on the retiree health. They had been billing TMFPD monthly and they were supposed to be updating and giving them correct billings, which they didn't do. At the end of the 12 months they would do a reconciliation. While TMFPD was with Reno it was fine, but now that they've left Reno, TMFPD has requested that Reno review the billings before they send them to TMFPD because the billings have been wrong in the past, like charging them for people who passed away eight months before, etc. Subsequently, at TMFPD's request, Reno is billing them at the end of a quarter, so the payment will be seen coming through a month after the quarter-end, after it is verified by Reno's HR. TMFPD is now getting accurate billings and then they'll do a true-up.

Chairman Sherman inquires of Ms. Walker if this issue is at all, in terms of the retiree health benefits, involved with the true-up controversy, because he understands that is still not resolved.

Ms. Walker responds, the true-up controversy has to do with Reno having not paid TMFPD for taking over their station #9 in Stead. When they closed down and TMFPD took over the service they were supposed to get a proportionate share of the savings. So, over a two year period, it comes to about \$600,000 that they owe TMFPD.

Chairman Sherman states they claim they were under-billing for the total cost, and therein lies the controversy.



Ms. Walker states that Reno had charged TMFPD an amount for cost allocation, which they paid, and two years later Reno decided to change the cost allocation numbers.

Chairman Sherman states he just wants to be clear that that controversy is not clouding the retiree health benefits payments. Ms. Walker confirms there is no impact to OPEB. She states everyone is in agreement with the methodology per the interlocal agreement, and Reno actually pays for a proportionate share of TMFPD's retiree health benefits.

Ms. Walker adds that they won't be putting any money in for TMFPD because they are basically at 100%. She states they've had a closed plan for SFPD since 2006, so there is a finite number of employees there. They have not made contributions because they weren't sure where things were going to go with the consolidation; at this point, \$150,000 is budgeted to transfer out of SFPD, but they've had a lot of savings. In consolidating the TMFPD/SFPD budget last year, there were some one-time types of savings because they didn't hire people until late into the year, as they were standing up the organization. She advises she will discuss with the Chief about taking some additional savings and putting into the OPEB Trust.

Ms. Solorzano asks if it would be a good start for her to add that \$150,000 as a contribution in. Ms. Walker does not recommend it, and states she needs to speak to the Chief first. She believes she'll know sometime around December.

There is discussion.

As there are no other questions with regard to the Interim Statements, Vice Chairman Washburn moves to acknowledge receipt of the Interim Financial Statements for the period ending September 30, 2013.

There is no public comment. Chairman Sherman seconds the motion. All are in favor. The motion carries.

**Review and approval of the cash transfer plan to the State Retiree Benefits Investment Fund for the remainder of the fiscal year.**

Chairman Sherman states he assumes the changes made to this schedule at the last quarterly meeting are working, because he looks at the cash and Washoe County pool and it looks like it's working.

Ms. Solorzano confirms. She adds that everyone is holding steady on their allocations, so, in the out-month where some of the smaller entities had dips into the negative for the pooled cash, she adjusted the transfers to reflect the change so that no one goes negative.

There is discussion with respect to the previously-determined procedure to deal with the possibility of the smaller entities going into negative cash, and it is noted that that is in place. Ms. Solorzano states that everything on the transfer schedule are projections, except for the quarterly numbers. In September, where cash is displayed, those are our actual cash numbers.

Vice Chairman Washburn states that from the Washoe County contribution point there is still discussion about reducing a contribution to the OPEB; she states they are still trying to get their hands around all of the employee wage increases, and the impact of that. We probably won't be able to do a good projection

until the December/January timeframe because it also involves a number of open positions, so we're getting some salary savings that help that. It is hoped it won't be anywhere near the \$4 million level, but that's why we put the extra \$4 million at the very end, just in case we have to dip into that OPEB contribution.

Chairman Sherman states he did observe the cash in the Washoe County pool column and there's very little. Ms. Solorzano suggests that we move some of the \$7.6 million forward; the reason we left so much was, essentially, we were keeping everything equal, assuming that Washoe County does reduce that last payment by \$4 million.

Vice Chairman Washburn states it is anticipated that by the January Trustee meeting we should know what the County position is. There is discussion. Vice Chairman Washburn adds that it would be helpful if we had any potential changes in the Fire situation by the January meeting.

It is noted no one has yet made a withdrawal from the RBIF. There is discussion.

(Ms. Walker leaves the meeting.)

Vice Chairman Washburn addresses Trustee Craig, stating that one of the reasons we do the projections and we watch that number is to make certain we have a cushion at the County pool level. So, if nothing changes by the next meeting, we probably want to back off of the RBIF and keep more of the cushion.

Trustee Craig asks for clarification and it is confirmed that, if we got caught short it is possible to request some monies back out and get it in a couple of weeks. Chairman Sherman states we would have to do that as a Board.

Discussion. Ms. Solorzano states that the County can, in fact, help if we get tight and don't want to go to the RBIF and withdraw money; the [Acting] Finance Director does have the authority to pull some of that \$7.6 million up earlier to accelerate one of the quarterly payments. More discussion.

Trustee Craig asks how it is that TMFPD became so well-funded at 99.5% funded vs. the other 3 entities. Chairman Sherman explains that when the liability statement, GASB No. 45, was first initiated, they made the decision and had the financial means to go ahead and fully fund their liability. There is discussion.

Vice Chairman Washburn moves to approve the Cash Flow Projections and Planned Transfers to RBIF as reported.

There is no public comment. Chairman Sherman seconds the motion. All are in favor, the motion carries.

**Recommendation to award contract for independent audit services for the fiscal years ending June 30, 2014 through June 30, 2016, with the provision of one subsequent two-year renewal to Kafoury, Armstrong & Company at a cost of \$6,640 per year.**

Discussion ensues, and it is noted that the contract covers 3 years with the option of a subsequent 2-year renewal for a total of 5 years, at the same price per year of \$6,640. Vice Chairman Washburn states there's always an "out," like if the Federal Government does something like the ARRA grant again, or

something massively significant, where the auditors may come back and indicate this isn't what they signed up for. She summarizes the proposal review process leading up to the selection of Kafoury, Armstrong & Company.

Trustee Craig moves to go with Staff's recommendation to select Kafoury, Armstrong & Company.

There is no public comment. Vice Chairman Washburn seconds the motion. All are in favor, the motion carries.

**Trustee's/Staff Announcements, Requests for Information, Topics for Future Agendas, Statements relating to Items not on the Agenda and any ideas and suggestions for greater efficiency, cost effectiveness and innovation in providing for the benefits of Washoe County, Nevada OPEB Trust Participants in accordance with the Benefit Plans. (No discussion on this item will take place among Trustees.)**

Chairman Sherman recaps items for the next meeting's agenda:

1. The discount rate – in addition to the research that the credit rating agencies have done, the Chairman would like to see if we can the PERS side year-by-year rate of return.

Trustee Craig asks how difficult would it be to perform the calculation of a 1% move either way in our projection. It is noted that that is an actuarial number and we've had John Botsford run multiple scenarios in the past, but it never comes up to just an on-the-top calculation.

Some discussion. Chairman Sherman suggests that the objective of the exercise be to determine what impact it would be on the ARC and to come up what we think is the most reliable best objective-based estimate of the rate of return on the portfolio, i.e., what the criteria is and the basis for which we would make that change. He suggests that staff ask Botsford if he has some benchmarks with respect to a percent change in the discount rate - as to what would be the percent change in the ARC.

2. Also revisit the transfer schedule with more information on Fire units.
3. Discussion: the audited financial statement for the fiscal year 2012/2013.
4. If the HR director has gone to BCC with direction regarding the Affordable Health Care Act, and/or Health Benefit trends, we'll put that on the agenda.

There is no **Public Comment**.

As there is no further business, the meeting is adjourned at 10:20 a.m.

**WASHOE COUNTY, NEVADA OPEB TRUST**  
**Review of Washoe County Request for Reimbursement**  
**For the Quarter Ended December 31, 2013**

**Reimbursement Requested by Washoe County Health Benefits Fund for the Quarter ended December 31, 2013**

	<b>Washoe Co. Retiree Health Benefit Plan</b>	<b>State of Nevada Public Employee Benefit Plan</b>	<b>Total</b>
Trust portion of retiree premiums	\$ 1,941,728	\$ -	\$ 1,941,728
Cost for State PEBP participants	-	79,760	79,760
Requested reimbursement	<u>\$ 1,941,728</u>	<u>\$ 79,760</u>	<u>2,021,488</u>

**Review of Average Cost per Participant by Coverage Type**

<b>Plan</b>	<b>Average # Participants</b>	<b>Premium Total</b>	<b>Average Monthly Cost per Participant</b>
PPO with Medicare	304	366,912	402.32
PPO without Medicare	640	1,049,803	546.77
Subtotal - PPO	<u>944</u>	<u>1,416,715</u>	
HMO with Medicare	61	64,364	351.71
HMO without Medicare	286	445,880	520.28
Subtotal - HMO	<u>347</u>	<u>510,244</u>	
Senior Care Plus	69	14,769	71.69
Total - all plans	<u>1,360</u>	<u>1,941,728</u>	

**Historical Comparison of Benefits Expense vs. Premium Reimbursements**

	<b>Benefits Expense</b>	<b>Retiree Pmts / Misc Revenue</b>	<b>Premium Reimbursement</b>	<b>Reimb over/ (under) net exp</b>
<u>Fiscal Year 2013:</u>				
First Quarter	\$ 2,157,310	\$ (775,716)	\$ 1,870,582	\$ 488,988
Second Quarter	3,370,959	(750,107)	1,876,053	(744,799)
Third Quarter	3,071,262	(1,224,128)	1,888,976	41,842
Fourth Quarter	4,302,528	(606,105)	1,895,307	(1,801,116)
Total FY2013	<u>\$ 12,902,059</u>	<u>\$ (3,356,056)</u>	<u>\$ 7,530,918</u>	<u>\$ (2,015,085)</u>
<u>Fiscal year 2014:</u>				
Q1 FY14	\$ 2,027,172	\$ (832,254)	\$ 1,931,143	\$ 736,225
Q2 FY14	4,566,136	(1,020,094)	1,941,728	(1,604,314)
Total FY2014	<u>\$ 6,593,308</u>	<u>\$ (1,852,348)</u>	<u>\$ 3,872,871</u>	<u>\$ (868,089)</u>

**WASHOE COUNTY, NEVADA OPEB TRUST**  
**Administrative Expense Detail - YTD Actual vs. Annual Budget**  
**For the Six Months Ended December 31, 2013 - unaudited**

	<b>Washoe Co Retiree Health Benefit Program</b>	<b>State of Nevada Public Employee Benefit Plan</b>	<b>Truckee Meadows FPD Retiree Group Medical Plan</b>	<b>Sierra FPD Retiree Group Medical Plan</b>	<b>2014 Total</b>
<b><u>BUDGET</u></b>					
Administrative Expenses					
Actuarial valuations	\$ 15,000	\$ 3,000	\$ 9,000	\$ 9,000	\$ 36,000
Accounting and administrative services	6,770	6,770	6,769	6,769	27,078
Audit fees	1,500	1,500	1,500	1,500	6,000
Trustee fees	100	100	100	100	400
Operating Expenses	200	200	200	200	800
	<u>\$ 23,570</u>	<u>\$ 11,570</u>	<u>\$ 17,569</u>	<u>\$ 17,569</u>	<u>\$ 70,278</u>
<b><u>ACTUAL</u></b>					
Administrative Expenses					
Actuarial valuations	\$ 2,235	\$ 630	\$ 1,250	\$ 1,250	\$ 5,365
Accounting and administrative services	3,386	3,386	3,384	3,384	13,540
Audit fees	1,500	1,500	1,500	1,500	6,000
Trustee fees	40	40	40	40	160
Legal fees	-	-	-	-	-
Operating Expenses	-	-	-	-	-
	<u>\$ 7,161</u>	<u>\$ 5,556</u>	<u>\$ 6,174</u>	<u>\$ 6,174</u>	<u>\$ 25,065</u>
<b><u>VARIANCE</u></b>					
Administrative Expenses					
Actuarial valuations	\$ 12,765	\$ 2,370	\$ 7,750	\$ 7,750	\$ 30,635
Accounting and administrative services	3,384	3,384	3,385	3,385	13,538
Audit fees	-	-	-	-	-
Trustee fees	60	60	60	60	240
Legal fees	-	-	-	-	-
Operating Expenses	200	200	200	200	800
	<u>\$ 16,409</u>	<u>\$ 6,014</u>	<u>\$ 11,395</u>	<u>\$ 11,395</u>	<u>\$ 45,213</u>

**Washoe County, Nevada OPEB Trust Fund**  
**Interim Financial Highlights for the Quarter Ended December 31, 2013 - Unaudited**

*All \$ in Thousands unless otherwise noted.*

**Net Assets by Plan**

	<u>Net Assets by Plan</u>			
	<u>State RBIF</u>	<u>WC-Pool</u>	<u>Other-Net</u>	<u>Net Assets</u>
WC-RHBP	\$ 130,419	\$ 3,947	\$ (1,939)	\$ 132,427
WC-PEBP	2,357	107	(81)	2,383
TMFPD	3,744	129	(1)	3,872
SFPD	626	558	(2)	1,182
	<u>\$ 137,146</u>	<u>\$ 4,741</u>	<u>\$ (2,023)</u>	<u>\$ 139,864</u>

- Net assets have increased by \$16.3 million year-to-date to \$139.9 million, due to investment income and prefunding contributions from employers. The trust holds \$137.1 million in the State RBIF pool.
- Other net assets include interest receivable, less reimbursements payable to Washoe County.
- Reimbursements to Washoe County for the WCRHBP reflect the employer portion of retiree premiums. The year-to-date difference between premiums and the actual cost paid by the County for retiree health benefits is recorded as contributions for incurred cost.

**Change in Plan Net Assets**

	<u>WC-RHBP</u>	<u>WC-PEBP</u>	<u>TMFPD</u>	<u>SFPD</u>	<u>TOTAL</u>
<b>Additions:</b>					
Prefunding	\$ 7,141	\$ 209	\$ -	\$ 545	\$ 7,895
Investment income, net of expense	11,843	212	351	62	12,468
Plan members, other	1,853	-	-	4	1,857
Contrib. for incurred cost	868	-	-	-	868
	<u>21,705</u>	<u>421</u>	<u>351</u>	<u>611</u>	<u>23,088</u>
<b>Deductions:</b>					
Benefits Paid	6,593	160	47	7	6,807
Administrative	7	6	6	6	25
	<u>6,600</u>	<u>166</u>	<u>53</u>	<u>13</u>	<u>6,832</u>
<b>Net change in Plan Net Assets</b>	<u>\$ 15,105</u>	<u>\$ 255</u>	<u>\$ 298</u>	<u>\$ 598</u>	<u>\$ 16,256</u>

- Investment income includes \$11 million from unrealized gains in the State RBIF pool due to fluctuations in the fair value of investments.

**Budget Comparison**

	<u>Budget</u>	<u>YTD</u>	<u>Act % Bud</u>	<u>Variance</u>
<b>Additions:</b>				
Prefunding	\$ 18,700	\$ 7,895	42%	\$(10,805)
Investment income, net of expense	-	12,468	0%	12,468
Plan members, other	3,585	1,857	52%	(1,728)
Contrib. for incurred cost	2,288	868	38%	(1,420)
	<u>24,573</u>	<u>23,088</u>	<u>94%</u>	<u>(1,485)</u>
<b>Deductions:</b>				
Benefits Paid	14,132	6,807	48%	7,325
Administrative	70	25	36%	45
	<u>14,202</u>	<u>6,832</u>	<u>48%</u>	<u>7,370</u>
<b>Net change in Plan Net Assets</b>	<u>\$ 10,371</u>	<u>\$ 16,256</u>	<u>157%</u>	<u>\$ 5,885</u>

- Prefunding includes \$545,000 from SFPD that was not budgeted.
- Investment income in the State RBIF pool is currently averaging 27.71% including unrealized gains, 3.17% without.

**WASHOE COUNTY, NEVADA OPEB TRUST FUND**  
**INTERIM STATEMENTS OF PLAN NET ASSETS**  
**AS OF DECEMBER 31, 2013 - UNAUDITED**

	<b>Washoe Co. Retiree Health Benefit Plan</b>	<b>State of Nevada Public Employee Benefit Plan</b>	<b>TMFPD Retiree Group Medical Plan</b>	<b>SFPD Retiree Group Medical Plan</b>	<b>Total</b>
<b>Assets</b>					
Cash and investments:					
Washoe County Investment Pool	\$ 3,947,197	\$ 107,100	\$ 129,312	\$ 558,264	\$ 4,741,873
State of NV RBIF	130,418,699	2,357,499	3,743,571	625,872	137,145,641
Interest receivable	<u>4,328</u>	<u>72</u>	<u>379</u>	<u>52</u>	<u>4,831</u>
Total Assets	<u>134,370,224</u>	<u>2,464,671</u>	<u>3,873,262</u>	<u>1,184,188</u>	<u>141,892,345</u>
<b>Liabilities</b>					
Accounts payable	<u>1,943,421</u>	<u>81,453</u>	<u>1,692</u>	<u>2,584</u>	<u>2,029,150</u>
<b>Net assets held in trust for other postemployment benefits</b>	<u><u>\$ 132,426,803</u></u>	<u><u>\$ 2,383,218</u></u>	<u><u>\$ 3,871,570</u></u>	<u><u>\$ 1,181,604</u></u>	<u><u>\$ 139,863,195</u></u>

**WASHOE COUNTY, NEVADA OPEB TRUST FUND**  
**INTERIM STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 - UNAUDITED**  
**(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013)**

	<b>Combined Trust</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Act %</b>	<b>Variance</b>	<b>6/30/2013</b>
<b>Additions</b>					
Contributions					
Employer:					
Prefunding	\$ 18,700,000	\$ 7,894,869	42.22%	\$ (10,805,131)	\$ 17,400,000
Contributions for incurred cost	2,287,500	868,089	37.95%	(1,419,411)	2,015,085
Plan member	3,015,000	1,452,185	48.17%	(1,562,815)	2,575,989
Other	570,000	404,649	70.99%	(165,351)	789,732
Total Contributions	24,572,500	10,619,792	43.22%	(13,952,708)	22,780,806
Investment Income					
Interest and dividends	49,500	1,325,782	2678.35%	1,276,282	3,189,327
Net increase (decrease) in fair value of investments	-	11,175,318		11,175,318	9,624,225
	49,500	12,501,100	25254.75%	12,451,600	12,813,552
Less investment expense	49,500	32,077	64.80%	17,423	47,917
Net Investment Income	-	12,469,023		12,469,023	12,765,635
Total Additions	24,572,500	23,088,815	93.96%	(1,483,685)	35,546,441
<b>Deductions</b>					
Benefits	14,131,500	6,807,313	48.17%	7,324,187	13,420,831
Administrative expense	70,278	25,065	35.67%	45,213	69,759
Total Deductions	14,201,778	6,832,378	48.11%	7,369,400	13,490,590
Net Change in Plan Net Assets	10,370,722	16,256,437	156.75%	5,885,715	22,055,851
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>					
Beginning of year	123,606,758	123,606,758		-	101,550,907
End of Period	\$ 133,977,480	\$ 139,863,195		\$ 5,885,715	\$ 123,606,758



**WASHOE COUNTY, NEVADA OPEB TRUST FUND**  
**INTERIM STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 - UNAUDITED**  
**(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013)**

	<b>Washoe County - Retiree Health Benefit Plan</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Act %</b>	<b>Variance</b>	<b>6/30/2013</b>
<b>Additions</b>					
Contributions					
Employer:					
Prefunding	\$ 18,282,610	\$ 7,141,300	39.06%	\$ (11,141,310)	\$ 17,011,626
Contributions for incurred cost	2,287,500	868,089	37.95%	(1,419,411)	2,015,085
Plan member	3,015,000	1,447,698	48.02%	(1,567,302)	2,566,324
Other	570,000	404,649	70.99%	(165,351)	789,732
Total Contributions	24,155,110	9,861,736	40.83%	(14,293,374)	22,382,767
Investment Income					
Interest and dividends	46,500	1,258,047	2705.48%	1,211,547	3,016,926
Net increase (decrease) in fair value of investments	-	10,615,622		10,615,622	9,121,339
	46,500	11,873,669	25534.77%	11,827,169	12,138,265
Less investment expense	46,500	30,400	65.38%	16,100	45,156
Net Investment Income	-	11,843,269		11,843,269	12,093,109
Total Additions	24,155,110	21,705,005	89.86%	(2,450,105)	34,475,876
<b>Deductions</b>					
Benefits	13,601,500	6,593,308	48.47%	7,008,192	12,902,059
Administrative expense	23,570	7,161	30.38%	16,409	27,395
Total Deductions	13,625,070	6,600,469	48.44%	7,024,601	12,929,454
Net Change in Plan Net Assets	10,530,040	15,104,536	143.44%	4,574,496	21,546,422
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>					
Beginning of year	117,322,267	117,322,267		-	95,775,845
End of Period	\$ 127,852,307	\$ 132,426,803		\$ 4,574,496	\$ 117,322,267

**WASHOE COUNTY, NEVADA OPEB TRUST FUND**  
**INTERIM STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 - UNAUDITED**  
**(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013)**

	<b>Washoe County - NV PEBS Plan</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Act %</b>	<b>Variance</b>	<b>6/30/2013</b>
<b>Additions</b>					
Contributions					
Employer:					
Prefunding	\$ 417,390	\$ 208,700	50.00%	\$ (208,690)	\$ 388,374
Total Contributions	417,390	208,700	50.00%	(208,690)	388,374
Investment Income					
Interest and dividends	1,000	22,603	2260.30%	21,603	58,502
Net increase (decrease) in fair value of investments	-	190,005		190,005	172,489
	1,000	212,608	21260.80%	211,608	230,991
Less investment expense	1,000	550	55.00%	450	914
Net Investment Income	-	212,058		212,058	230,077
Total Additions	417,390	420,758	100.81%	3,368	618,451
<b>Deductions</b>					
Benefits	320,000	159,923	49.98%	160,077	315,315
Administrative expense	11,570	5,556	48.02%	6,014	13,480
Total Deductions	331,570	165,479	49.91%	166,091	328,795
Net Change in Plan Net Assets	85,820	255,279		169,459	289,656
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>					
Beginning of year	2,127,939	2,127,939		-	1,838,283
End of Period	\$ 2,213,759	\$ 2,383,218		\$ 169,459	\$ 2,127,939

**WASHOE COUNTY, NEVADA OPEB TRUST FUND**  
**INTERIM STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 - UNAUDITED**  
**(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013)**

	<b>Truckee Meadows FPD - Retiree Group Med Plan</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Act %</b>	<b>Variance</b>	<b>6/30/2013</b>
<b>Additions</b>					
Contributions					
Employer:					
Prefunding	\$ -	\$ -		\$ -	\$ -
Total Contributions	-	-		-	-
Investment Income					
Interest and dividends	1,500	38,421	2561.40%	36,921	97,899
Net increase (decrease) in fair value of investments	-	313,929		313,929	282,449
	1,500	352,350	23490.00%	350,850	380,348
Less investment expense	1,500	961	64.07%	539	1,605
Net Investment Income	-	351,389		351,389	378,743
Total Additions	-	351,389		351,389	378,743
<b>Deductions</b>					
Benefits	200,000	46,728	23.36%	153,272	196,013
Administrative expense	17,569	6,174	35.14%	11,395	8,979
Total Deductions	217,569	52,902	24.32%	164,667	204,992
Net Change in Plan Net Assets	(217,569)	298,487	(137.19%)	516,056	173,751
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>					
Beginning of year	3,573,083	3,573,083		-	3,399,332
End of Period	\$ 3,355,514	\$ 3,871,570		\$ 516,056	3,573,083

**WASHOE COUNTY, NEVADA OPEB TRUST FUND**  
**INTERIM STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2013 - UNAUDITED**  
**(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013)**

	<b>Sierra FPD - Retiree Group Med Plan</b>				
	<b>Budget</b>	<b>Actual</b>	<b>Act %</b>	<b>Variance</b>	<b>6/30/2013</b>
<b>Additions</b>					
Contributions					
Employer:					
Prefunding	\$ -	\$ 544,869		\$ 544,869	\$ -
Plan member	-	4,487		4,487	9,665
Total Contributions	-	549,356		549,356	9,665
Investment Income					
Interest and dividends	500	6,711	1342.20%	6,211	16,000
Net increase (decrease) in fair value of investments	-	55,762		55,762	47,948
	500	62,473	12494.60%	61,973	63,948
Less investment expense	500	166	33.20%	334	242
Net Investment Income	-	62,307		62,307	63,706
Total Additions	-	611,663		611,663	73,371
<b>Deductions</b>					
Benefits	10,000	7,354	73.54%	2,646	7,444
Administrative expense	17,569	6,174	35.14%	11,395	19,905
Total Deductions	27,569	13,528	49.07%	14,041	27,349
Net Change in Plan Net Assets	(27,569)	598,135	(2169.59%)	625,704	46,022
<b>Net Assets Held in Trust for Other Postemployment Benefits</b>					
Beginning of year	583,469	583,469		-	537,447
End of Period	\$ 555,900	\$ 1,181,604		\$ 625,704	\$ 583,469

## Review of discount rates for evaluating OPEB liabilities:

Before the County established the Washoe County, Nevada OPEB Trust (Trust), the evaluation of the liability used a discount rate of 4.6% which represented the investment return on the Washoe County investment pool at the time. When the Trust was created and funds were deposited into the State Fund (RBIF), the discount rate was increased to 7% for valuation of OPEB liabilities. The RBIF, which is managed jointly with the PERS investments, uses a long-term actuarial funding objective of 8%. RBIF recorded a 12.9% return in fiscal 12/13 and the investment results since inception (29 years for PERS, which manages RBIF) are 9.5%.

If a higher rate of interest is assumed on assets investment for future benefit payments, then the immediate funding requirement is lowered. The question was raised at the last Trustee meeting if the current rate of 7% is appropriate and in line with external recommendations.

The Pew Charitable Trust issued a report in 2013 on Shortfalls in Funding Pensions Retiree Health Care and Rates comparing key cities in the U.S. Looking at several of the better funded cities (all over 25%) in that study shows a wide range of discount rates applied <sup>(1)</sup>.

City of Los Angeles:	7.75%
Denver	4.00%
District of Columbia	7.00%
City of Phoenix	7.00%

A report issued by Moody's investor services on June 27, 2013, compared the rates used by large pension plans in each state. The discount rates are often the same between the pension plans and the OPEB plans. In this report, the discount rate varied from 5.5% to 8.5% with the median at 8%. These values were based on actuarial reports from 9/30/10 to 6/30/11. In comparison to the pension evaluations, our rate of 7% is conservative.

There is new guidance effective this year for pension plan evaluations for governmental accounting (GASB) statements. In this guidance, the rate used to discount a government's pension liability will be a blend of the long-term assumed rate of return, to the extent that assets are projected to be available to fund projected benefits, and the use of a 20-year tax-exempt, 'AA' category or better, GO municipal bond index rate. This blended rate approach is based on GASB's recognition that investment returns can't be earned unless there are assets invested on which to earn those returns. For some entities, this will result in a much lower discount rate being used which will, in turn, increase the liability and required payments to fund.

Moody's is going one step further and will be actually recalculating the pension liabilities when providing credit ratings and opinions of various governments. In their report, Adjustments to US State and Local Government Reported Pension Data, released April 17, 2013, using a standard, the Citibank Pension Liability Index, to evaluate all pensions. This index rate ranged from 4.4% to 6.05% for the plans evaluated in their June, 2013, report. Their targeted rate for Nevada, the PERS program, would drop from the PERS rate of 8% to the index rate of 5.67% with a corresponding increase in the liability. S&P has said they will not rework the liability calculation, but will rely on the new accounting standards to make the reported liabilities more standard.

While we can find no written intent to apply the new accounting and credit rating standards to OPEB funding, our experience has been that the OPEB standards will follow once the pension standards are in place. Therefore, our recommendation is to maintain the actuarial discount rate at the current 7% and to monitor the developments in the reporting standards for a possible shift to more conservative rates over the next few years.

<sup>(1)</sup>.The report used fiscal year 2009 as a basis for comparison but the actual discount rates referenced above are based on the latest annual report (CAFR) posted on their website.

Prepared: 1/23/14

**Washoe County, Nevada OPEB Trust Fund**  
**Cash Flow Projections and Planned Transfers to the State Investment Fund (RBIF) for FY 2014**  
Updated through 12/31/13

	Prefunding Contributions	Direct Expenses	Reimburse Employers	Cash Change	Trsfrs to RBIF	Cash in WC Pool	Cash in RBIF	Total Cash & Investmts*
Beginning balance						\$ 568,193	\$ 120,567,147	\$ 121,135,340
Jul-13 Trustee Meeting	-	-	-	-	-	568,193	120,567,147	121,135,340
Aug	6,600,000	-	(1,972,608)	4,627,392	1,500,000	3,695,585	122,067,147	125,762,732
Sep	-	(7,485)	-	(7,485)	1,500,000	2,211,725	123,505,167	125,716,892
Oct Trustee Meeting	3,675,000	(46,728)	(2,011,306)	1,616,966	1,500,000	2,328,691	125,005,167	127,333,858
Nov	-	-	-	-	899,000	1,429,691	125,904,167	127,333,858
Dec	4,219,869	(17,580)	-	4,202,289	899,000	4,741,873	137,145,641	141,887,514
Jan Trustee Meeting	-	(59,202)	(2,021,488)	(2,080,690)	899,000	1,762,183	138,044,641	139,806,824
Feb	-	(9,202)	-	(9,202)	899,000	853,981	138,943,641	139,797,622
Mar	3,675,000	(59,202)	-	3,615,798	899,000	3,570,779	139,842,641	143,413,420
Apr Trustee Meeting	-	(9,202)	(2,012,250)	(2,021,452)	899,000	650,327	140,741,641	141,391,968
May	-	(9,202)	-	(9,202)	-	641,125	140,741,641	141,382,766
Jun	-	(62,475)	-	(62,475)	-	578,650	140,741,641	141,320,291
Jul-14 Trustee Meeting	7,675,000	-	(2,003,956)	5,671,044	-	6,249,694	140,741,641	146,991,335
Cash flow total	25,844,869	(280,278)	(10,021,608)	15,542,983	9,894,000			
Less: Pmts related to FY13	(6,600,000)		1,972,608					
FY14 Budget	19,244,869		(8,049,000)					

**Key Assumptions:**

**Inflows:** Washoe County contribution for future funding: \$ 18.7 million. \$4 million delayed until year-end for possible budget changes. Balance paid quarterly in equal installments.

**Outflows:** TMFPD - Quarterly payments to City of Reno, based on FY13 actual - paid in last month of each quarter.

**Transfers:** Transfers to RBIF will be reviewed quarterly for possible adjustment. \* Fire District pooled cash will be monitored for possible reallocation of balances between RBIF and pooled cash across plans, as provided for in the administrative procedures of the Trust.

	WCRHBP	PEBP	WC Total
WC contribution	18,282,610	417,390	18,700,000
OPEB Reimb to WC	7,729,000	320,000	8,049,000
			Allocated based on UAAL

**Washoe County, Nevada OPEB Trust Fund**  
**Cash Flow Projections and Planned Transfers to the State Investment Fund (RBIF) for FY 2014**  
Updated through 12/31/13

<b>WCRHBP</b>	<b>Prefunding Contributions</b>	<b>Direct Expenses</b>	<b>Reimburse Employers</b>	<b>Cash Change</b>	<b>Trsfers to RBIF</b>	<b>Cash in WC Pool</b>	<b>Cash in RBIF</b>	<b>Total Cash &amp; Invest.</b>
Beginning balance						\$ 324,064	\$ 114,426,006	\$ 114,750,070
Jul-13 Trustee Meeting						324,064	114,426,006	114,750,070
Aug	6,511,626	-	- (1,895,307)	4,616,319	1,482,000	3,458,383	115,908,006	119,366,389
Sep	-	(1,733)	-	(1,733)	1,482,000	1,994,791	117,352,241	119,347,032
Oct Trustee Meeting	3,570,650	-	(1,931,143)	1,639,507	1,482,000	2,152,298	118,834,241	120,986,539
Nov	-	-	-	-	889,000	1,263,298	119,723,241	120,986,539
Dec	3,570,650	(5,428)	-	3,565,222	889,000	3,947,197	130,418,699	134,365,896
Jan Trustee Meeting	-	(2,735)	(1,941,728)	(1,944,463)	889,000	1,113,734	131,307,699	132,421,433
Feb	-	(2,735)	-	(2,735)	889,000	221,999	132,196,699	132,418,698
Mar	3,570,650	(2,735)	-	3,567,915	889,000	2,900,914	133,085,699	135,986,613
Apr Trustee Meeting	-	(2,735)	(1,932,250)	(1,934,985)	889,000	76,929	133,976,109	134,053,038
May	-	(2,735)	-	(2,735)	-	74,194	133,978,406	134,052,600
Jun	-	(2,734)	-	(2,734)	-	36,102	134,019,697	134,055,799
Jul-14 Trustee Meeting	7,570,660	-	(1,923,879)	5,646,781	-	5,682,883	134,019,697	139,702,580
Cash flow total	24,794,236	(23,570)	(9,624,307)	15,146,359	9,780,000			
Less: Pmts related to FY13	(6,511,626)		1,895,307					
FY14 Budget	18,282,610		(7,729,000)					

<b>PEBP</b>	<b>Prefunding Contributions</b>	<b>Direct Expenses</b>	<b>Reimburse Employers</b>	<b>Cash Change</b>	<b>Trsfers to RBIF</b>	<b>Cash in WC Pool</b>	<b>Cash in RBIF</b>	<b>Total Cash &amp; Invest.</b>
Beginning balance						\$ 43,991	\$ 2,110,891	\$ 2,154,882
Jul-13 Trustee Meeting						43,991	2,110,891	2,154,882
Aug	88,374	-	(77,301)	11,073	18,000	37,064	2,128,891	2,165,955
Sep	-	(1,733)	-	(1,733)	18,000	18,459	2,137,379	2,155,838
Oct Trustee Meeting	104,350	-	(80,163)	24,187	18,000	24,646	2,155,379	2,180,025
Nov	-	-	-	-	10,000	14,646	2,165,379	2,180,025
Dec	104,350	(3,823)	-	100,527	10,000	107,100	2,357,499	2,464,599
Jan Trustee Meeting	-	(1,002)	(79,760)	(80,762)	10,000	16,338	2,367,499	2,383,837
Feb	-	(1,002)	-	(1,002)	10,000	5,336	2,377,499	2,382,835
Mar	104,350	(1,002)	-	103,348	10,000	98,684	2,387,499	2,486,183
Apr Trustee Meeting	-	(1,002)	(80,000)	(81,002)	10,000	7,682	2,397,499	2,405,181
May	-	(1,002)	-	(1,002)	-	6,680	2,397,499	2,404,179
Jun	-	(1,004)	-	(1,004)	-	5,676	2,397,499	2,403,175
Jul-14 Trustee Meeting	104,340	-	(80,077)	24,263	-	29,939	2,397,499	2,427,438
Cash flow total	505,764	(11,570)	(397,301)	96,893	114,000			
Less: Pmts related to FY13	(88,374)		77,301					
FY14 Budget	417,390		(320,000)					

**Washoe County, Nevada OPEB Trust Fund**  
**Cash Flow Projections and Planned Transfers to the State Investment Fund (RBIF) for FY 2014**  
Updated through 12/31/13

<b>TMFPD</b>	<b>Prefunding Contributions</b>	<b>Direct Expenses</b>	<b>Reimburse Employers</b>	<b>Cash Change</b>	<b>Trsfers to RBIF</b>	<b>Cash in WC Pool</b>	<b>Cash in RBIF</b>	<b>Total Cash &amp; Invest.</b>
Beginning balance						\$ 178,578	\$ 3,455,780	\$ 3,634,358
Jul-13 Trustee Meeting	-	-	-	-	-	178,578	3,455,780	3,634,358
Aug	-	-	-	-	-	178,578	3,455,780	3,634,358
Sep	-	(1,732)	-	(1,732)	-	178,372	3,443,486	3,621,858
Oct Trustee Meeting	-	(46,728)	-	(46,728)	-	131,644	3,443,486	3,575,130
Nov	-	-	-	-	-	131,644	3,443,486	3,575,130
Dec	-	(4,442)	-	(4,442)	-	129,312	3,743,571	3,872,883
Jan Trustee Meeting	-	(51,899)	-	(51,899)	-	77,413	3,743,571	3,820,984
Feb	-	(1,899)	-	(1,899)	-	75,514	3,743,571	3,819,085
Mar	-	(51,899)	-	(51,899)	-	23,615	3,743,571	3,767,186
Apr Trustee Meeting	-	(1,899)	-	(1,899)	-	21,716	3,743,571	3,765,287
May	-	(1,899)	-	(1,899)	-	19,817	3,743,571	3,763,388
Jun	-	(55,172)	-	(55,172)	-	3	3,704,577	3,704,580
Jul-14 Total	-	(217,569)	-	(217,569)	-			

<b>SFPD</b>	<b>Prefunding Contributions</b>	<b>Direct Expenses</b>	<b>Reimburse Employers</b>	<b>Cash Change</b>	<b>Trsfers to RBIF</b>	<b>Cash in WC Pool</b>	<b>Cash in RBIF</b>	<b>Total Cash &amp; Invest.</b>
Beginning balance						\$ 21,560	\$ 574,470	\$ 596,030
Jul-13 Trustee Meeting	-	-	-	-	-	21,560	574,470	596,030
Aug	-	-	-	-	-	21,560	574,470	596,030
Sep	-	(2,287)	-	(2,287)	-	20,103	572,061	592,164
Oct Trustee Meeting	-	-	-	-	-	20,103	572,061	592,164
Nov	-	-	-	-	-	20,103	572,061	592,164
Dec	544,869	(3,887)	-	540,982	-	558,264	625,872	1,184,136
Jan Trustee Meeting	-	(3,566)	-	(3,566)	-	554,698	625,872	1,180,570
Feb	-	(3,566)	-	(3,566)	-	551,132	625,872	1,177,004
Mar	-	(3,566)	-	(3,566)	-	547,566	625,872	1,173,438
Apr Trustee Meeting	-	(3,566)	-	(3,566)	-	544,000	624,462	1,168,462
May	-	(3,566)	-	(3,566)	-	540,434	622,165	1,162,599
Jun	-	(3,565)	-	(3,565)	-	536,869	619,868	1,156,737
Jul-14 Total	544,869	(27,569)	-	517,300	-			





# WASHOE COUNTY

"Dedicated To Excellence in Public Service"

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CM/ACM JB  
Finance CW  
DA \_\_\_\_\_  
Risk Mgt. JS  
HR \_\_\_\_\_  
Other \_\_\_\_\_

## STAFF REPORT BOARD MEETING DATE: November 12, 2013

**DATE:** October 29, 2013  
**TO:** Board of County Commissioners  
**FROM:** John Listinsky, Director of Human Resources/Labor Relations  
328-2089, [jlistinsky@washoecounty.us](mailto:jlistinsky@washoecounty.us)  
Kevin Schiller, Director of Social Services  
785-8600, [kschiller@washoecounty.us](mailto:kschiller@washoecounty.us)  
**THROUGH:** John Berkich, Acting County Manager  
328- 2000 [jberkich@washoecounty.us](mailto:jberkich@washoecounty.us)  
**SUBJECT:** **Recommendation to acknowledge receipt of an overview and update by the Departments of Social Services and Human Resources on the Affordable Care Act and the potential impacts to County services and employees. (All Commission Districts)**

### SUMMARY

Recommendation to acknowledge receipt of an overview and update by the Departments of Social Services and Human Resources on the Affordable Care Act and the potential impacts to County services and employees. (All Commission Districts)

**Objective supported by this item:** Achieving Long Term Financial Sustainability  
**Strategic Outcome support by this item:** Healthy Communities

### PREVIOUS ACTION

On August 6, 2013, a presentation was made to the Organizational Effectiveness Committee on Affordable Care Act impacts to 1) employers and 2) indigent medical care programs. Evelyn Hullin of Wells Fargo Insurance Services reviewed a healthcare reform timeline for employers beginning in 2010. Ken Retterath, Adult Services Division Director, and Kevin Schiller, Social Services Director, reviewed Medicaid expansion and eligibility for government assistance and what was known about the health insurance exchange subsidy at that time.

### BACKGROUND

In March 2010 the Affordable Care Act (ACA) was signed into law. The ACA is a complex law that impacts the delivery of healthcare through changes in Medicaid, new insurance rules and the establishment of insurance exchanges. These changes will have an impact across all segments of the County from how we provide insurance, to the services we provide through our Social Services agency. The Department of Social

Services will present an overview of the current status and impacts to social services programming.

Several activities have taken place from the employer's perspective since the report to the Organizational Effectiveness Committee that included preventive care coverage without cost sharing and the addition of dollar value of health insurance on W-2s so that "high-value" plans can be taxed in 2018.

### **New Fees Mandated by ACA**

Three new fees (two for self-funded plans) have been added on employer-sponsored health plans.

- Patient-Centered Outcomes Research Trust Fee (PCOR) applies to all group plans and will impact us in 2014. It amounts to \$1 per covered member per plan in the first year, \$2 per covered member in year two, then the fee increases to \$2 per member plus an inflation factor, for the following five plan years. There are guidelines for counting enrollees, paying the PCOR fee, and the timing of the payment. It will be in place for seven years.
- Transitional Reinsurance Fee applies to all plans, fully insured and self-insured, and will begin in 2014. It only applies for three years and goes through the end of 2016. This fee is intended to provide subsidies to carriers offering coverage on the exchanges. This fee aims to stabilize premiums for coverage in the individual market and lower the effects of adverse selection. This fee is expected to amount to \$63 per member per year.
- Health Insurer Fee is to assist in funding new obligations of the federal government under ACA, including subsidies for certain individuals buying coverage through a health insurance exchange. The fee continues indefinitely, and is not applicable to self-insured plans. Large insurance carriers will be responsible for a significant portion of this fee, and are expected to build it into their premiums, ultimately increasing premiums by approximately 3-4%.

### **Reporting Requirements**

While regulations are still not clear on some reporting requirements, we know that data regarding health plan enrollment, premiums and number of FTEs (calculated monthly) must be reported to the IRS by March 31 starting in 2015 and reports of minimal essential coverage will be required each January. The Comptroller's Office will be responsible for the reporting and Human Resources will provide support.

### **Employee Communication**

The ACA has also required that we provide participants in our health plans with a uniform summary for the plan's benefits and coverage. It is required that the summary be written in easy to understand language. This document was provided in electronic format to our employees in June 2013 and in hard copy to retirees on our health plans. These documents are provided to all new hires in the County at new employee orientation.

In September 2013 we sent a notification to our employees regarding their right to access

health insurance coverage from a Health Insurance Marketplace, also referred to as a public exchange. The health insurance exchange is for individuals who do not have affordable health coverage, so this does not apply to Washoe County employees as we pay 100% of health premium for employees and 50% of the premium for eligible dependents. Public exchanges had their first open enrollment period on October 1, 2013 with coverage becoming effective January 1, 2014. We do not expect any significant impact to dependents covered on our health plans.

#### **Wellness Programs**

The final regulations for requirements for workplace wellness programs are effective January 1, 2014 and allow employers to require healthy efforts from employees to qualify for lower premiums. There are two types of programs referenced in the regulations: "participatory wellness programs" and "health-contingent wellness programs."

The rule will apply to large employer-sponsored coverage starting next year (for Washoe County, July 2014). New wellness initiatives will be reviewed with management and the Insurance Negotiation Committee in the first calendar quarter of 2014.

#### **FISCAL IMPACT**

The estimated impact to our health plan premiums in the current fiscal year is \$429,425.00

#### **RECOMMENDATION**

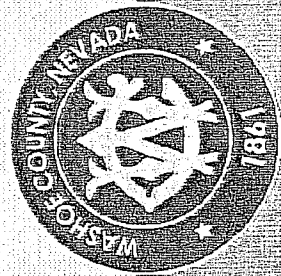
The Board of County Commissioners accepts the recommendation to acknowledge receipt of an overview and update by the Departments of Social Services and Human Resources on the Affordable Care Act and the potential impacts to County services and employees.

#### **POSSIBLE MOTION**

If accepted, a possible motion would be: "The Board of County Commissioners accepts the recommendation to acknowledge receipt of an overview and update by the Departments of Social Services and Human Resources on the Affordable Care Act and the potential impacts to County services and employees."

The attached document was submitted to the  
**Washoe County Board of Commissioners** during  
the meeting held on November 12, 2013.  
by Ken Retterath, Senior Services  
for Agenda Item No. 30  
and included here pursuant to NRS 241.020(7) as  
amended by AB65 of the 2013 Legislative Session.

# AFFORDABLE CARE ACT



-BCC 11-12-13 #30  
Ken Rosthorff C.



# HEALTH CARE REFORM OVERVIEW

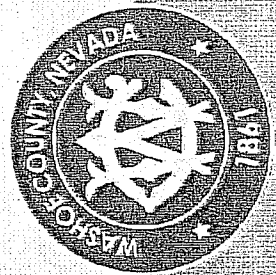
- The Affordable care Act was signed into law in March 2010
- Challenged at the Supreme Court and was found to be Constitutional
  - State could opt into Medicaid
  - States had the option of setting up their own Insurance Exchanges
- Nevada created the Nevada Health Link Exchange
- Nevada opted into the Medicaid expansion





# HEALTH CARE REFORM OVERVIEW

- **Current Medicaid system**
  - Up to 100% of Federal Poverty Level (FPL) currently at \$958
  - Categorical
    - TANF
    - MAABD
- **Poor people are not necessarily eligible for Medicaid**
- **Federal Match varies from 50% to 60% Federal share**





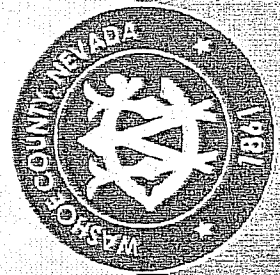
# HEALTH CARE REFORM OVERVIEW

- Expanded Medicaid
- Medicaid Eligibility Increases from 100% to 138% of Federal Poverty Level ( \$958 to \$1,322)
- Eliminates Categorical Eligibility for Newly Eligible
- Income and asset based
- Federal Match is 100% reducing to 90% in 3 years

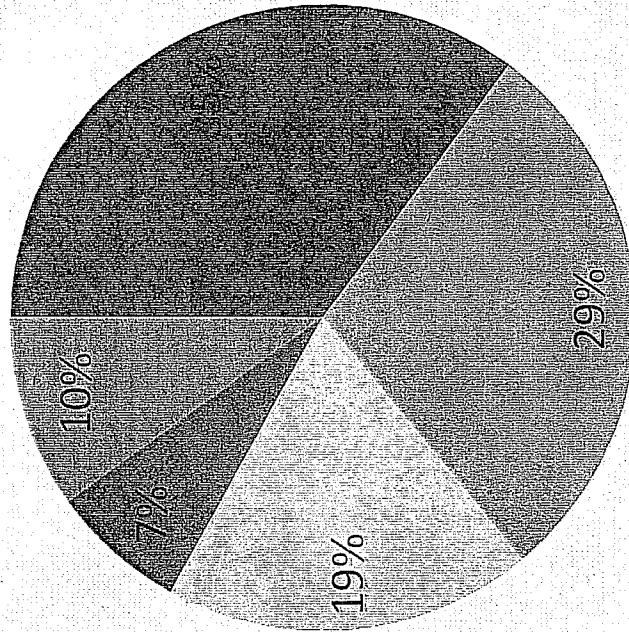


# HEALTH CARE REFORM OVERVIEW

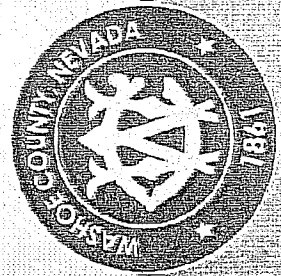
- Creates a tiered system with newly eligible
- Decreases Nevada's Uninsured Rate from 23% to 10.5% (642,000 – 307,000)
- Medicaid estimates the expansion will cover approximately 78,000 more individuals



# UNINSURED BY INCOME TO POVERTY RATIO

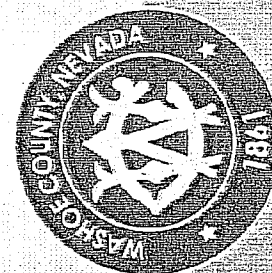
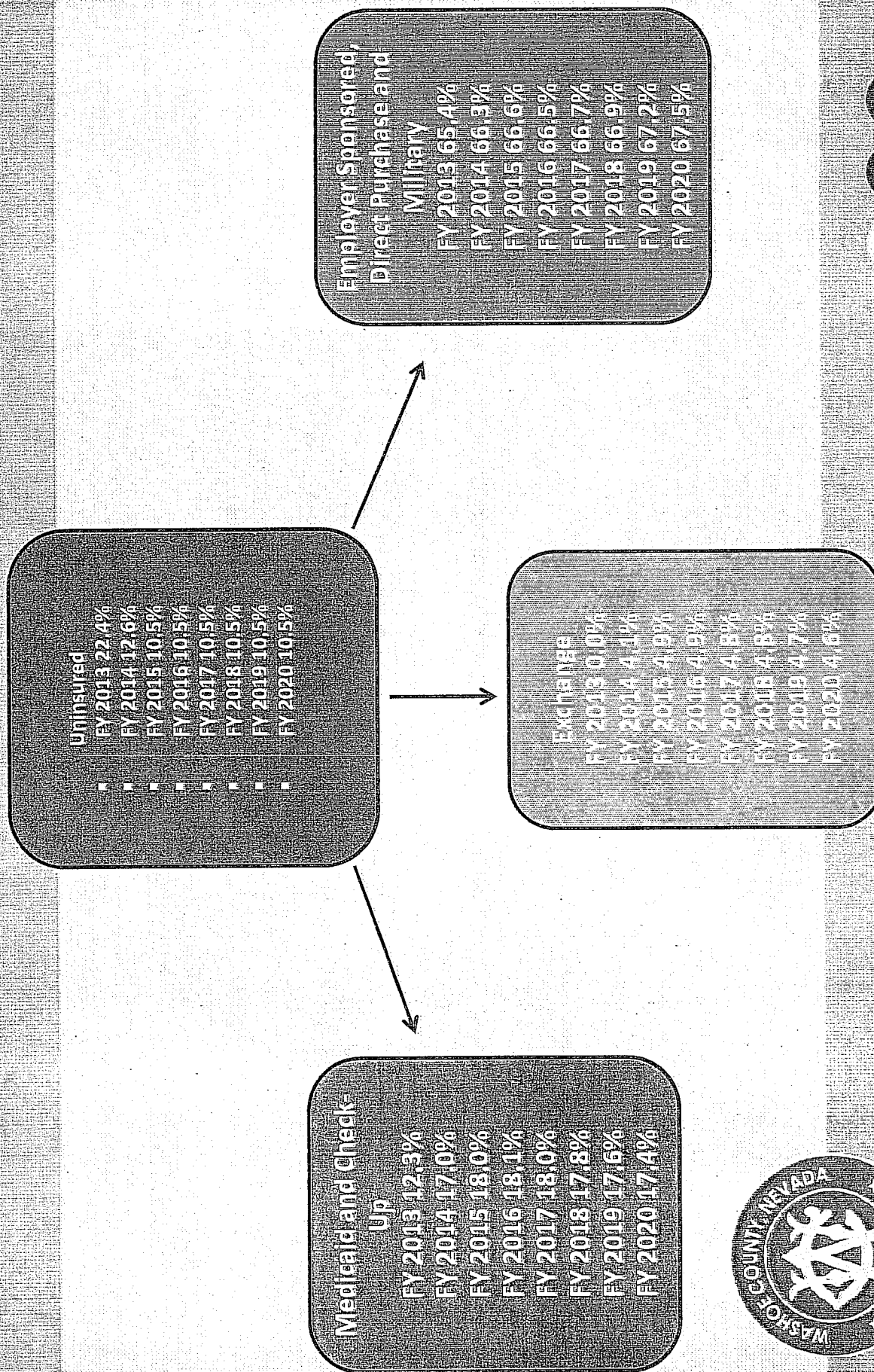


- 0% to 99% of FPL
- 100% to 199% of FPL
- 200% to 299% of FPL
- 300% to 399% of FPL
- 400% of FPL and Above





# MEDICAID EXPANSION



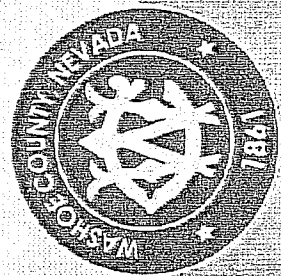
# HEALTH EXCHANGE SUBSIDY

Income Level	Premium as a Percent of Income
Up to 133% FPL (\$1,275)	2% of income (\$26)
133 - 150% FPL (\$1,437)	3 - 4% of income (\$58)
150 - 200% FPL (\$1,916)	4 - 6.3% of income (\$121)
200 - 250% FPL (\$2,395)	6.3 - 8.05% of income (\$193)
250 - 300% FPL (\$2,874)	8.05 - 9.5% of income (\$273)
300 - 400% FPL (\$3,832)	9.5% of income (\$364)

**Gold 80-20**

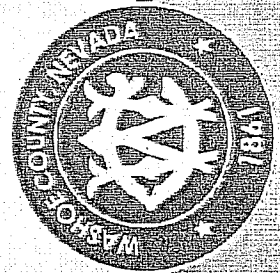
**Silver 70-30**

**Bronze 60-40**



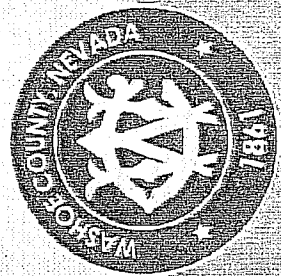
# HEALTH EXCHANGE EXAMPLE

- Individual with income of 250% of FPL (\$28,735)
- The cost of the second lowest Silver Plan on the exchange is \$5,733
- This individual would not be required to pay more than \$2,313 (monthly \$193)



# Challenges

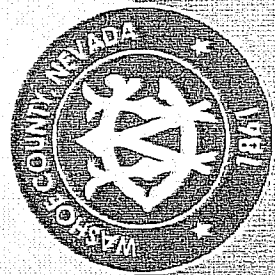
- **Welfare caseloads are currently at about 750 to 1000 per worker**
  - They requested hundreds of positions which were approved in the Legislature
  - They are moving away from in office visits and towards electronic applications
  - May involve a new relationship with the County
- **Enrollment of Exchange clients started October 1**
- **Enrollment for newly eligible Medicaid starts November 1**





# INTERNAL CHALLENGES AND OPPORTUNITIES

- Maintaining our funding to continue and expand programming associated with services to the indigent
- Transition 2,000 plus Social Services clients to Medicaid in both Adult and Children's Services
- Certify Staff to enroll clients through outreach and other programs into Medicaid and the Exchange





# INTERNAL CHALLENGES AND OPPORTUNITIES

- May be an opportunity to work with the State and partner on eligibility for Medicaid.
- Opt outs, what do we do with them
- Redeploy dollars to other areas within Social Services to expand or duplicate successful programs

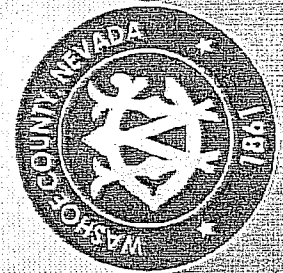
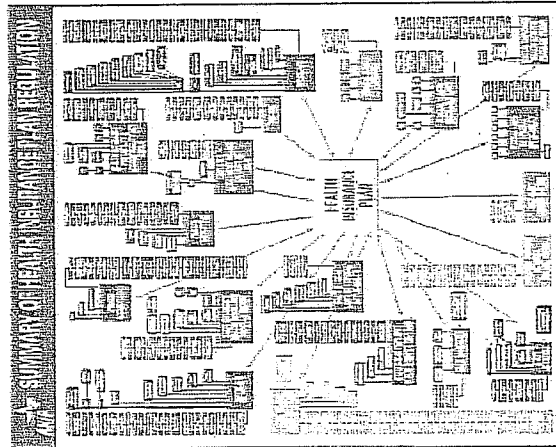
— Crossroads

Veteran's Housing





It's really quite simple.



**Washoe County, Nevada OPEB Trust**  
**Summary of Actuarial Valuations**  
**For Participating Plans**  
**As of January 24, 2014**

Plan	FY	Value of Assets	ARC	Contrib for Incurred Cost	Prefunding	Total ER Contribs	AAL	UAAL	Net OPEB Oblig/(Asset)	% Funded	Benefits Expense
<b><u>WCRHBP</u></b>											
Initial full valuation	FY07	-	21,906,177			4,337,954	228,684,129	228,684,129	-		
Rollforward	FY08	-	23,562,000			7,162,000	245,970,000	245,970,000	16,400,000		
Full valuation	FY09	-	25,601,000			7,767,253	276,684,000	276,684,000	34,353,000		
Rollforward	FY10	-	29,210,000	-	73,113,894	73,113,894	319,701,000	319,701,000	(15,137,077)		1,699,861
Full valuation	FY11	70,887,000	22,400,000	-	13,499,575	13,499,575	273,801,000	202,914,000	(6,512,652)	25.9%	12,037,012
Rollforward	FY12	78,330,000	23,884,000	-	19,776,106	19,776,106	293,921,000	215,591,000	(2,523,758)	26.7%	13,050,667
Full valuation	FY13	91,263,000	18,447,000	2,015,085	17,011,626	19,026,711	287,185,000	195,922,000	(3,147,469)	31.8%	12,902,059
Rollforward	FY14	112,701,000	18,739,000				300,671,000	187,970,000		37.5%	
<b><u>PEBS</u></b>											
Initial full valuation	FY08	-	633,732			284,124	9,717,075	9,717,075	349,608		
Rollforward	FY09	-	678,008			428,838	10,915,221	10,915,221	594,099		
Full valuation	FY10	1,925,471	682,000	386,219	1,239,693	1,625,912	7,437,111	5,511,640	(357,764)	25.9%	31,824
Rollforward	FY11	1,399,000	444,162	-	503,425	503,425	7,520,000	6,121,000	(415,125)	18.6%	408,544
Full valuation	FY12	1,635,802	493,000	-	623,894	623,894	6,108,685	4,472,883	(543,813)	26.8%	325,503
Rollforward	FY13	2,116,000	364,311	-	388,374	388,374	6,184,000	4,068,000	(564,174)	34.2%	315,315
<b><u>TMFPD RGHP</u></b>											
Initial full valuation	FY07					114,000	4,632,628	4,632,628	-		
Rollforward	FY08	-	690,000			120,178	4,374,648	4,374,648	569,822		
Rollforward	FY09	-	790,500			119,882	4,878,800	4,878,800	1,240,440		
Full valuation	FY10	-	665,302			143,256	4,472,236	4,472,236	1,762,486		
Rollforward	FY11	-	692,200	193,865	3,469,573	3,663,438	4,649,700	4,649,700	(1,342,589)		192,615
Full valuation	FY12	3,533,063	23,099	-	-	-	3,361,331	(171,732)	(1,295,031)	105.1%	211,297
Rollforward	FY13	3,399,332	43,829	-	-	-	3,417,200	17,868	(1,224,753)	99.5%	196,013
<b><u>SFPD RGHP</u></b>											
Initial full valuation	FY08	-	243,566			-	1,296,221	1,296,221	243,565		
Rollforward	FY09	-	265,600			6,478	1,436,100	1,436,100	502,687		
Full valuation	FY10	-	305,218			15,859	1,769,515	1,769,515	792,046		
Rollforward	FY11	-	328,500	7,323	523,790	531,113	1,924,200	1,924,200	529,288		16,802
Full valuation	FY12	530,895	312,536	-	-	-	2,472,793	1,941,898	832,181	21.5%	12,485
Rollforward	FY13	537,941	354,355	-	-	-	2,771,000	2,233,059	1,169,540	19.4%	7,444